




United Westburne Industries Limited

ANNUAL REPORT 1976

A Canadian Company



United Westburne Industries Limited is a publicly owned Canadian company which devotes its resources to the wholesale distribution of plumbing, heating, water works, air conditioning and electrical supplies. Its major markets are the building and renovation industry, engineering construction, and the market for materials and supplies to expand, replace or repair electrical and mechanical machinery and equipment. Its customers are the contracting trades, industrial, commercial and institutional users, utilities and government agencies.

On peut obtenir la version française de ce rapport en écrivant au Siège administratif de la Société, 6333 Boulevard Décarie, Montréal, Québec H3W 3E1.

Annual Report 1976

Directors

* S. Abramovitch, C.A.
T. Howard Atkinson, M.C.
Leo Bokofsky
William M. Booth
* Lucien Cornez
Albert Cowan
* F. R. Matthews, Q.C.
J. Donald Mitchell
Abraham Palmer
Joseph Rimerman
Maurice Saillant
* John A. Scrymgeour
Desmond N. Stoker
James L. Thompson
* Druval W. Westcott

* Member of Executive Committee

Auditors

TOUCHE ROSS & CO.

Registrar and Transfer Agent

Common
Montreal Trust Company
Montreal, Toronto, Calgary

Preferred

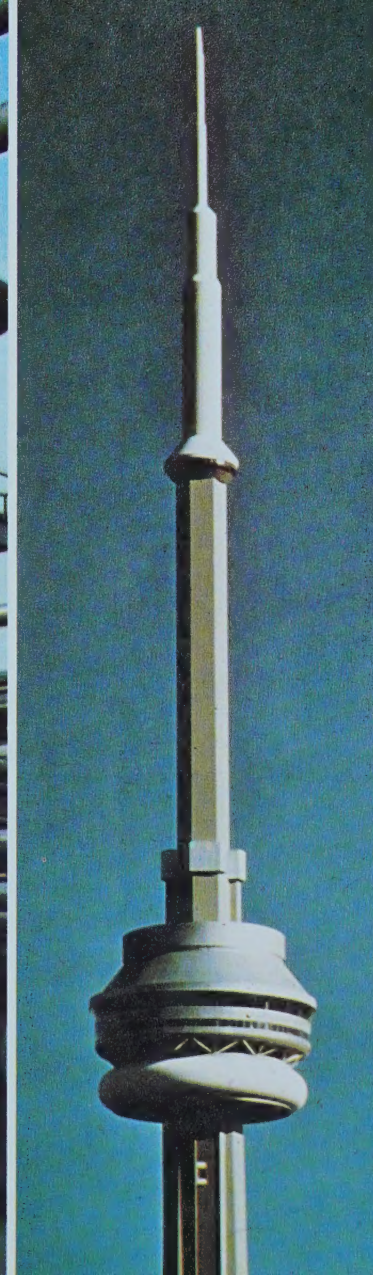
Montreal Trust Company
Montreal, Toronto, Winnipeg,
Calgary, Vancouver

Executive Office

6333 Decarie Blvd., Montreal, Quebec H3W 3E1

Officers

Lucien Cornez
Chairman of the Board
Druval W. Westcott
President
S. Abramovitch, C.A.
Executive Vice-President
Gilles Hamel, C.A.
Treasurer & Controller
L. Roberts, C.A.
Secretary
Hyman Terk
Assistant-Secretary



Highlights Of The Year

	1976	1975	
Operating Revenue	\$274,664,937	\$249,272,764	+ 10.2%
Earnings before Income Tax and Extraordinary Items	13,515,720	13,097,738	+ 3.2%
Cash Flow from Operations, Applicable to Common Shareholders	8,733,081	8,301,317	+ 5.2%
Net Earnings for the Year	6,851,729	6,403,705	+ 7.0%
Net Earnings Applicable to Common Shares	6,705,260	6,252,867	+ 7.2%
Working Capital	31,685,262	27,977,998	+ 12.3%
Long Term Debt	14,636,879	16,596,419	- 11.8%
Capital Expenditures	2,622,549	7,608,731	- 65.5%
Per Common Share			
Basic Earnings	3.79	3.74	+ 1.3%
Fully Diluted Earnings	3.54	3.48	+ 1.7%
Branches	104	102	
Employees	2,338	2,300	



Report To The Shareholders

We are pleased to submit the 24th annual report on the operations of United Westburne Industries Limited for the fiscal year ended March 31, 1976 which continued to show further growth in Sales and Earnings.

Gross revenue totalled \$274,664,937 or a 10.2% increase over the \$249,272,764 recorded the previous year. Net Earnings before extraordinary items were \$6,775,832 as compared to \$5,968,431 while Net Earnings applicable to common shares after extraordinary items amounted to \$6,705,260 against \$6,252,867 last year. This is equivalent to \$3.54 per share (fully diluted) as compared to \$3.48 (fully diluted) for fiscal 1975.

Working Capital at March 31, 1976, was \$31,685,262 against \$27,977,998. Long Term Debt amounted to \$14,636,879 compared to \$16,596,419 while the total Shareholders Equity increased to \$34,468,698 of which \$32,172,198 was for common Shareholders Equity as compared to \$28,529,778 (\$26,147,278 for common shareholders) in 1975.

During the year further progress was made towards the integration of the plumbing-heating and electrical operations of our

branches. At present 34 branches are fully integrated out of the 104 branches we operate across Canada.

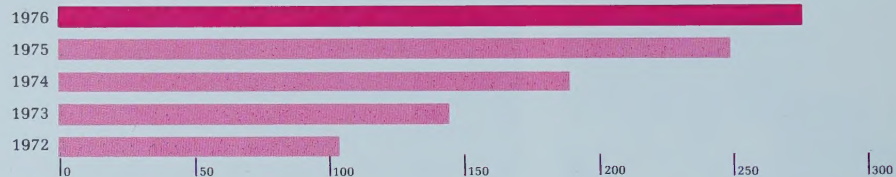
Close to 2350 persons are now employed by United Westburne and your directors feel it appropriate to record here their appreciation and gratitude for their efforts which again produced another year of gratifying results.

Submitted on behalf of the Board of Directors.

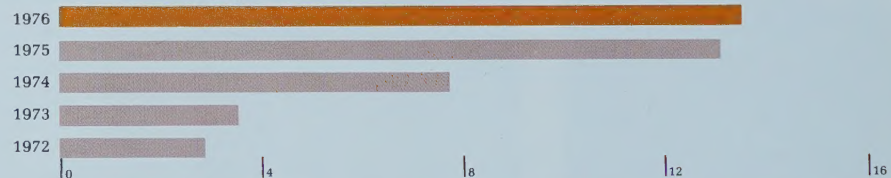
Lucien Cornez
Chairman



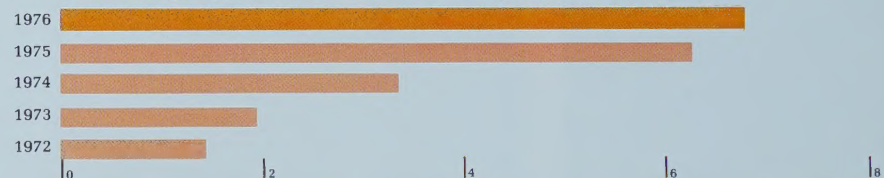
Operating Revenue (in millions)



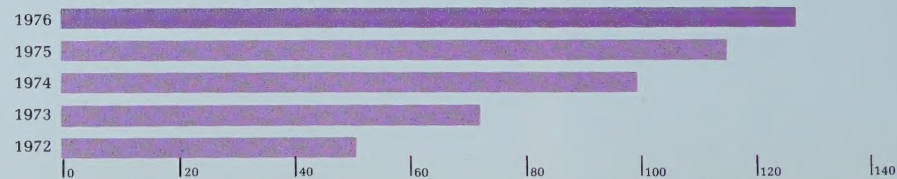
Pre-Tax Earnings (in millions)



Net Earnings Applicable to Common Shares (in millions)



Total Assets (in millions)



Five Year Statistical Summary

Fiscal Years Ended March 31

Operating (in \$000)	1976	1975	1974	1973	1972
Operating Revenue	\$274,665	\$249,273	\$189,164	\$140,597	\$103,542
Pre-Tax Earnings	13,516	13,098	7,287	3,590	2,848
Net Earnings Before Extraordinary Items	6,776	5,968	3,522	1,865	1,587
Net Earnings After Extraordinary Items	6,852	6,404	3,460	2,083	1,605
Net Earnings Applicable to Common Shares	6,705	6,253	3,304	1,921	1,438
Per Share Outstanding					
Operating	\$3.74	\$3.47	\$2.03	\$1.03	\$0.86
Extraordinary	.05	.27	(.04)	.13	.01
Total	\$3.79	\$3.74	\$1.99	\$1.16	\$0.87
Fully Diluted					
Operating	\$3.49	\$3.23	\$1.77	\$0.94	\$0.77
Extraordinary	.05	0.25	(.03)	.12	.01
Total	\$3.54	\$3.48	\$1.74	\$1.06	\$0.78
Financial (in \$000)					
Receivables (Net)	\$42,317	\$38,565	\$35,687	\$26,860	\$18,445
Inventories	53,717	47,433	41,123	28,253	21,540
Working Capital	31,685	27,978	23,319	20,328	14,628
Fixed Assets (Net)	22,563	21,416	17,799	12,362	7,199
Total Assets	128,025	115,791	99,395	72,441	51,308
Common Shareholders Equity	32,172	26,147	20,147	17,491	15,555



United Westburne Industries Limited
And Subsidiary Companies

Consolidated Balance
Sheet

As At March 31

ASSETS

Current:

Cash and short-term deposits
Accounts receivable
Inventories
Income taxes recoverable
Prepaid expenses

<u>1976</u>	<u>1975</u>
\$ 4,352,450	\$ 2,940,721
42,317,235	38,564,765
53,717,433	47,433,123
56,615	—
523,059	338,271
<u>100,966,792</u>	<u>89,276,880</u>
211,131	112,739
184,747	—
—	857,084
22,562,677	21,415,899
130,073	144,036
<u>3,969,596</u>	<u>3,984,409</u>

Notes and mortgages receivable

Due from parent company

Due from affiliated company

Fixed assets — Note 2

Debenture discount and expense, less amortization

Excess of cost of investments in shares of subsidiaries over net
assets at date of acquisition

\$128,025,016

\$115,791,047

On behalf of the Board:

Lucien Cornez, Director

Druval W. Westcott, Director

LIABILITIES

Current:	
Bank loans, secured by accounts receivable	\$ 34,542,310
Dividend payable	36,000
Accounts payable	32,707,524
Income taxes payable	—
Long-term debt due within one year	1,567,093
Due to affiliated company	428,603
	<hr/>
	69,281,530
Due to affiliated company	5,857,093
Long-term debt — Note 3	14,636,879
Deferred incomes taxes	3,502,068
Minority interest in a subsidiary company	278,748

SHAREHOLDERS' EQUITY

Capital stock — Note 4	6,729,118
Contributed surplus	893,504
Retained earnings — Note 5	26,846,076
	<hr/>
	34,468,698
	<hr/>
	\$128,025,016

1976

1975

\$ 32,118,730
37,350
24,353,038
2,552,253
1,853,361
384,150
<hr/>
61,298,882
6,285,696
16,596,419
2,754,999
325,273

6,810,765
868,978
20,850,035
<hr/>
28,529,778
<hr/>
\$115,791,047

Auditors' Report

The Shareholders,
United Westburne Industries Limited.

We have examined the consolidated balance sheet of United Westburne Industries Limited and its subsidiary companies as at March 31, 1976 and the consolidated statements of earnings and retained earnings and changes in financial position for the year ended on that date. For United Westburne Industries Limited and those subsidiaries of which we are auditors our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. With respect to those subsidiaries of which we are not auditors, whose statements reflect total assets and gross revenue of 33% and 64% respectively of the consolidated totals, we have carried out such enquiries and examinations as we considered necessary in order to accept for purposes of consolidation the reports of the other auditors.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1976 and the results of their operations and changes in financial position for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE ROSS & CO.
Chartered Accountants.

Montreal, Quebec
May 20, 1976

United Westburne Industries Limited
And Subsidiary Companies

Consolidated Statement Of Earnings And Retained Earnings

For The Year Ended March 31

	1976	1975
Gross revenue	<u>\$274,664,937</u>	<u>\$249,272,764</u>
Operating income before the undernoted items	<u>18,161,061</u>	<u>17,364,022</u>
Deduct		
Amortization of debenture discount	13,963	13,963
Depreciation	1,370,343	1,431,252
Interest — long-term debt	2,272,682	2,206,710
— other	2,959,309	3,078,349
Amortization of excess cost of investments in shares of a subsidiary	<u>14,813</u>	<u>14,813</u>
	<u>6,631,110</u>	<u>6,745,087</u>
Add		
Equipment rental income	705,800	1,485,750
Interest and other income	<u>1,279,969</u>	<u>993,053</u>
	<u>1,985,769</u>	<u>2,478,803</u>
Net earnings before income taxes	<u>13,515,720</u>	<u>13,097,738</u>
Provision for income taxes	<u>6,739,888</u>	<u>7,129,307</u>
Net earnings before extraordinary items	<u>6,775,832</u>	<u>5,968,431</u>
Extraordinary items		
Gain on disposal of land net of income taxes	—	395,850
Gain on purchase of bonds for sinking fund requirement	<u>94,726</u>	<u>46,611</u>
	<u>94,726</u>	<u>442,461</u>
	<u>6,870,558</u>	<u>6,410,892</u>
Minority shareholders' interest	<u>18,829</u>	<u>7,187</u>
Net earnings for the year	<u>6,851,729</u>	<u>6,403,705</u>
Retained earnings at beginning of year as restated — Note 10	<u>20,850,035</u>	<u>15,305,578</u>
	<u>27,701,764</u>	<u>21,709,283</u>
Dividends paid on — preferred shares	146,469	150,838
— common shares	<u>709,219</u>	<u>708,410</u>
Retained earnings at end of year	<u>\$ 26,846,076</u>	<u>\$ 20,850,035</u>
Net earnings		
Per common share outstanding		
Operations	\$3.74	\$3.47
Extraordinary items	.05	.27
Total	<u>\$3.79</u>	<u>\$3.74</u>
After giving effect to exercise of warrants and options		
Operations	\$3.49	\$3.23
Extraordinary items	.05	.25
Total	<u>\$3.54</u>	<u>\$3.48</u>

Consolidated Statement Of Changes In Financial Position

For The Year Ended March 31

Source	<u>1976</u>	<u>1975</u>
From operations		
Net earnings	\$ 6,851,729	\$ 6,403,705
Amounts charged or credited to earnings not affecting working capital		
Gain on purchase of bonds for sinking fund requirement	(94,726)	(46,611)
Gain on sale of fixed assets	(14,243)	(395,850)
Depreciation and amortization	1,399,119	1,460,028
Deferred income taxes	747,069	1,030,883
	<u>8,888,948</u>	<u>8,452,155</u>
Sale of fixed assets	117,766	666,954
Working capital of new subsidiaries at date of acquisition	—	2,074,329
Increase in long-term debt	413,945	4,800,177
Loan from affiliated company	857,084	84,103
Receipts on notes and mortgages receivable	31,172	147,835
Issue of common shares	8,722	660,900
	<u>10,317,637</u>	<u>16,886,453</u>
Application		
Repayment of advance to parent company	184,747	—
Due from affiliated company	—	857,084
Notes and mortgages	127,658	6,615
Additions to fixed assets	2,622,549	5,199,334
Investments in subsidiary companies	—	2,409,397
Dividends paid	855,688	859,248
Repayment of long-term debt	2,707,363	2,588,518
Purchase of preferred shares	65,843	60,623
Redemption of preferred shares held by minority interest	46,525	22,251
	<u>6,610,373</u>	<u>12,003,070</u>
Increase in working capital	<u>\$ 3,707,264</u>	<u>\$ 4,883,383</u>

Notes To The Consolidated Financial Statements

For The Year Ended March 31, 1976

1. ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the subsidiary companies, which are all wholly owned, from the dates of acquisition and have been accounted for as purchases. At the time of purchase of certain subsidiary companies \$589,000 of the excess of purchase price over net assets was attributed to fixed assets. It is the opinion of management that the remaining excess of cost of investments in subsidiaries over net assets at dates of acquisition is of continuing value. However, to conform to generally accepted accounting practice, the excess of cost of investments in subsidiaries acquired after April 1, 1974 is being amortized over a period of 40 years.

Inventories

Inventories have been valued at the lower of cost (which is determined on the first-in first-out method) and net realizable value. Due provision is made to reduce obsolete, unsaleable or unusable items to their realizable or scrap value.

Fixed assets and depreciation

It is the policy of the Company to depreciate the cost of plant and equipment to its estimated residual value over the estimated useful lives of the assets, as follows:

Buildings and improvements — mainly on a 5% to 10% diminishing balance basis.

Equipment — mainly on a 20% to 30% diminishing balance basis.

Drilling equipment — at a rate per drilling day designed to prorate original cost less a residual value of 30% over 3,000 drilling days.

At the time of sale or retirement of fixed assets, the costs and related accumulated depreciation are removed from the accounts and, with minor exceptions, the resulting profits or losses on disposition are reflected in earnings. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments which extend the life of the assets or increase the value thereof are capitalized.

2. FIXED ASSETS, AT COST

	1976	1975
Land	\$ 1,357,569	\$ 1,232,810
Buildings and equipment	16,452,484	14,353,487
Drilling equipment	11,363,248	11,361,211
	29,173,301	26,947,508
Less: Accumulated depreciation	6,610,624	5,531,609
	<u>\$22,562,677</u>	<u>\$21,415,899</u>

3. LONG-TERM DEBT

7% sinking fund debentures, series "A" maturing March 15, 1987, redeemable prior to maturity, for other than sinking fund purposes, at the principal amount plus 3½% if redeemed prior to March 31, 1977, the premium thereafter decreasing yearly by ⅓% up to March 31, 1985 when they become redeemable at par. A sinking fund is required to retire principal amount of \$275,000 per annum on March 15, 1977 to 1986.

	1976	1975
Authorized	\$ 4,500,000	\$ 4,500,000
Less: Purchased for and in anticipation of sinking fund requirements	<u>1,783,500</u>	<u>1,242,500</u>
	<u>2,716,500</u>	<u>3,257,500</u>

7½% sinking fund debentures, series "B" maturing August 1, 1982, redeemable prior to maturity, for other than sinking fund purposes, at the principal amount plus 3½% prior to August 1, 1976, the premium thereafter decreasing yearly by ½% up to August 1, 1981 and thereafter at par. A sinking fund is required to retire \$40,000 principal amount per annum on August 1, 1976 to 1981.

	1976	1975
Authorized	600,000	600,000
Less: Purchased for sinking fund requirements	<u>320,000</u>	<u>280,000</u>
	<u>280,000</u>	<u>320,000</u>

8½% sinking fund debentures, series "C" maturing March 31, 1989, redeemable prior to maturity, for other than sinking fund purposes, at the principal amount plus 5.25% if redeemed prior to March 31, 1977, the premium thereafter decreasing yearly by .45% up to March 31, 1988 when they become redeemable at par. A sinking fund is required to retire \$50,000 principal amount per annum on March 31, 1977 to 1988.

	1,000,000	1,000,000
Authorized		
Less: Purchased for sinking fund requirements	<u>350,000</u>	<u>300,000</u>
	<u>650,000</u>	<u>700,000</u>

Bank loans

9% to 12% with monthly blended payments, maturing June 1, 1992 and renewable every five years, with the principal subject to reduction by the proceeds of the sale of secured fixed assets

1¾% above U.S. prime rate with quarterly payments of \$75,000 maturing July 31, 1977	4,125,814	4,720,874
1¾% above U.S. prime rate with quarterly payments of \$71,000 until July 31, 1977	946,522	1,246,297
1½% above prime rate with quarterly payments of \$85,000 until December 31, 1979	1,348,097	1,629,044
1¾% above U.S. prime rate with semi-annual payments of \$72,000 until November 1, 1979	1,166,200	1,506,200
1¾% above U.S. prime rate with quarterly payments of \$36,000 maturing March 1, 1980	489,787	629,726
	<u>676,000</u>	<u>819,820</u>
	<u>12,398,920</u>	<u>14,829,461</u>

6¼% to 12% mortgages, payable in monthly instalments until 1999	3,805,052	3,620,319
	<u>16,203,972</u>	<u>18,449,780</u>
Less: Repayable within one year	<u>1,567,093</u>	<u>1,853,361</u>
	<u>\$14,636,879</u>	<u>\$16,596,419</u>

The trust deeds accompanying the issue of the debentures, impose restrictions relating to the redemption of capital stock, the declaration of dividends, the pledging of assets and the level of minimum working capital.

At March 31, 1976, the amount of shareholders' equity not restricted under the terms of the trust deeds was \$7,339,762.

The debentures are secured by a floating charge on the Company's assets.

4. CAPITAL STOCK

Authorized
60,000 6¼% cumulative redeemable first
preferred "A" shares of par value of
\$50.00 each
5,000,000 common shares of par value of
\$2.50 each

	March 31, 1976		March 31, 1975	
	Shares	Amount	Shares	Amount
Issued and fully paid Preferred				
At beginning of year	47,650	\$2,382,500	49,255	\$2,462,750
Purchased for cancellation	1,720	86,000	1,605	80,250
	<u>45,930</u>	<u>2,296,500</u>	<u>47,650</u>	<u>2,382,500</u>
Common				
At beginning of year	1,771,306	4,428,265	1,661,026	4,152,565
Issued during the year on account of stock options and series "A" Purchase Warrants	1,741	4,353	110,280	275,700
	<u>1,773,047</u>	<u>4,432,618</u>	<u>1,771,306</u>	<u>4,428,265</u>
		<u>\$6,729,118</u>		<u>\$6,810,765</u>
Common shares reserved			1976	1975
(i) Share Purchase Warrants, series "A"				
Exercisable at a price of \$6.00 per share subject to adjustment in certain events, prior to March 15, 1977			68,383	68,974
(ii) Share Purchase Warrants, series "B"				
Exercisable at a price of \$14.00 per share, subject to adjustment in certain events, prior to March 31, 1979			15,000	15,000
(iii) Incentive Stock Options				
Granted to employees covering 41,750 common shares at an exercise price of \$4.50 per share, said options may be exercised up to ⅓ of the shares allotted in each of the years 1976 to 1978. Unexercised options may be exercised cumulatively			40,400	41,550
			<u>123,783</u>	<u>125,524</u>

5. RETAINED EARNINGS — RESTRICTED

Under the provision of the governing statutes \$1,103,500 (the amount equal to the par value of preferred shares purchased for cancellation) is restricted from distribution to shareholders.

The agreement with the preferred shareholder requires that a purchase fund be established and at March 31, 1976 \$14,000 of retained earnings was earmarked for this purpose.

6. DIRECTORS' REMUNERATION

The total direct remuneration received by directors and senior officers of the Company during the twelve months ended March 31, 1976 was \$715,591.

7. COMMITMENTS

The Company and its subsidiaries have entered into lease agreements for premises at annual rentals of approximately \$1,663,055 for various terms expiring up to 1992.

8. CONTINGENT LIABILITY

Income tax assessments in respect of the fiscal periods from 1967 to 1973 amounting to \$326,000, including interest, have been received from the Province of Quebec. These assessments are being contested and accordingly no provision has been made in the accounts.

9. PENSION COSTS

The Company and its subsidiaries have a pension plan covering the majority of their employees. Based on an actuarial valuation dated December 19, 1975 and effective January 1, 1975, there was an unfunded liability which would be paid into the plan in equal annual instalments of \$197,000 until 1992. Subsequent to the date of this valuation the status of certain employees changed and the companies made a lump sum payment into the plan resulting in a reduction to this liability.

10. PRIOR PERIOD ADJUSTMENT

As a result of income tax reassessments applicable to the years 1972 and 1973, the balance of retained earnings at March 31, 1974 previously reported as \$15,530,259 has been restated to show a retroactive charge of \$224,681 representing the cumulative amount by which income taxes and applicable interest thereon as at March 31, 1974 had been increased.

11. ANTI-INFLATION LEGISLATION

The Company and its subsidiaries are subject to the Federal Government's Anti-Inflation legislation, which became effective October 14, 1975. This legislation limits increases in prices, profits, compensation and dividends. Management is of the opinion, based on preliminary calculations, that the companies have no liabilities as a result of the Anti-Inflation legislation.

Westburne's Branches

Serving Canada From Coast to Coast



- Plumbing, Heating & Electrical
- Plumbing & Heating
- △ Electrical

BRITISH COLUMBIA

- ▲ ABBOTSFORD
- ▲ BURNABY
- ▲ COURTENAY
- ▲ CRANBROOK
- ▲ KAMLOOPS
- ▲ KELOWNA
- ▲ KITIMAT
- ▲ NAINAIMO
- ▲ NEW WESTMINSTER
- ▲ NORTH VANCOUVER
- ▲ PORT ALBERNI
- ▲ PRINCE GEORGE
- ▲ RICHMOND
- ▲ SURREY
- ▲ VANCOUVER
- ▲ VICTORIA

ALBERTA

- ▲ CALGARY
- ▲ GRANDE PRAIRIE
- ▲ EDMONTON
- ▲ LETHBRIDGE
- ▲ MEDICINE HAT
- ▲ RED DEER



- SASKATCHEWAN**

 - REGINA
 - SASKATOON
- MANITOBA**

 - BRANDON
 - THOMPSON
 - WINNIPEG
- ONTARIO**

 - BARRIE
 - BRANTFORD
 - BROCKVILLE
 - CAMBRIDGE
 - CHATHAM
 - CORNWALL
 - GUELPH
 - HAMILTON
 - KENORA
 - KINGSTON
 - KITCHENER
 - LONDON
 - OSHAWA
 - OTTAWA
 - PEMBROKE
 - SARNIA
 - SAULT STE MARIE
 - SCARBOROUGH
 - SIMCOE
 - ST. CATHARINES
 - STREETSVILLE
 - SUDBURY
 - TIMMINS
 - THUNDER BAY
 - TORONTO
 - WINDSOR
 - WOODSTOCK
- QUEBEC**

 - DRUMMONDVILLE
 - HULL
 - JOLIETTE
 - JONQUIERE
 - LONGUEUIL
 - MONTREAL
 - NEW RICHMOND
 - QUEBEC
 - ROUYN
 - SEPT-ÎLES
 - SHERBROOKE
 - ST-JEROME
 - TROIS-RIVIERES
 - VAL D'OR
 - VALLEYFIELD
- NEW BRUNSWICK**

 - MONCTON
- NOVA SCOTIA**

 - DARTMOUTH
 - SYDNEY
- PRINCE EDWARD ISLAND**

 - CHARLOTTETOWN
- NEWFOUNDLAND**

 - ST. JOHN'S

Illustrations of Westburne at work

Page 1.

For industrial or prestige projects and for electrical, plumbing, heating and air conditioning needs Westburne covers all markets.

Page 2.

Heating, sanitary equipment or modern lighting fixtures.

Page 4.

Computers serve our clients efficiently.

Deluxe lighting fixtures to fit every taste.

Page 5.

Modern showrooms to serve the buyer.

Pages 12 and 13.

Branches are conveniently located coast to coast.

Page 14.

A wide range of modern practical plumbing fixtures from toilets to fittings to valves.

Page 15.

Adequate yard inventories to meet the customers' needs.

Knowledgeable order desks to answer the clients problems.

Electrical appliances are available at many branches in a wide range from small household appliances to an almost unlimited choice of lighting fixtures.







